

## SUMMARY ANALYSIS OF AMENDED BILL

Author: McPherson Analyst: Roger Lackey Bill Number: SB 83  
Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 01-21-98  
Attorney: Doug Bramhall Sponsor:

**SUBJECT:** PIT Rates/Deletes Lowest Bracket and Revises Remaining

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO PENDING.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED APRIL 7, 1998, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would eliminate the 1% tax rate bracket for personal income taxpayers and revise the income threshold amounts for the remaining tax brackets to reflect the inflation adjustment through the 1997 tax year.

### SUMMARY OF AMENDMENT

The January 21, 1998, amendment revised the income threshold amounts to reflect the amounts for the 1997 taxable year, which include adjustments through the 1997 calendar year. Elimination of the 1% tax rate bracket would apply to taxable years beginning on or after January 1, 1998.

The adjusted income threshold amounts for taxable year 1998 would not be available until after June 1, 1998.

Except for the sections discussed in this analysis, the analysis of SB 83 as amended April 7, 1997, still applies.

### Technical Consideration

On page seven, line 21 should read "over \$32,916" not over \$32,207.

### DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_ STATE MANDATE

\_\_\_ GOVERNOR'S APPOINTMENT

#### Department Director Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
\_\_\_ X \_\_\_ PENDING

#### Agency Secretary Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
DEFER TO \_\_\_\_\_

#### GOVERNOR'S OFFICE USE

Position Approved \_\_\_  
Position Disapproved \_\_\_  
Position Noted \_\_\_

Department/Legislative Director Date  
Johnnie Lou Rosas 2/5/98

Agency Secretary Date

By: Date:

FISCAL IMPACT

Tax Revenue Estimate

Revenue losses are estimated to be:

Estimated Revenue Impact for SB 83 As Amended January 21, 1998 Effective after December 31, 1997 Assumed Enactment After June 30, 1998 Revenue Impact by Taxable Years (\$in millions)		
1998	1999	2000
(\$64)	(\$57)	(\$62)

Revenue Impact by Fiscal Years (\$in millions)		
1998-9	1999-0	2000-1
(\$87)	(\$59)	(\$64)

For the 1998 tax year approximately 1.8 million filers would be impacted from this proposal and for 1999 approximately 1.6 million filers would be impacted. This is due to the additional \$100 dependent credit that takes effect in 1999 under current law, which results in no tax liability for some taxpayers.

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

Revenue losses under the Personal Income Tax Law would depend on the number of taxpayers who would have their tax reduced or eliminated by the removal of the 1% tax rate bracket and the revenue from the reduced 4% bracket threshold. At 1998 levels the new starting point for the 4% bracket is projected to be \$9,796 single (rather than \$12,415) and \$19,590 head of household and joint (rather than \$24,828).

The above estimates are based on the department's personal income tax model. These estimates do not reflect any behavioral impact that might occur as a result of these tax rate changes.

The following table reflects the tax changes by adjusted gross income classes:

Estimated Revenue Impact for SB 83 As Amended January 21, 1998 Repeal 1% Tax Rate & Lower 4% Tax Bracket Threshold 1/ 1998 Taxable Year Returns & Tax Liability Changes By Adjusted Gross Income Classes					
Adjusted Gross Income Class	Returns 2/ With Changes	Percent of Total Returns	Total Tax Change	Average Tax Change	Tax Change As % of Total Tax Liability

	(thousands)		(millions )		
0 to \$20,000	1,154	68.0%	(\$32)	(\$28)	-18.7%
\$20,000 to \$30,000	514	36.6%	(\$25)	(\$49)	-2.7%
\$30,000 to \$40,000	125	9.3%	(\$6)	(\$48)	-0.7%
\$40,000 to \$50,000	25	2.3%	(\$1)	(\$40)	-0.1%
\$50,000 to \$100,000	23	0.9%	*	(\$21)	-0.0%
\$100,000 to \$150,000	2	0.6%	*	(\$3)	-0.0%
\$150,000 and over	6	1.0%	*	(\$3)	-0.0%
Totals	1,849	100.0%	(\$64)	(\$35)	

\* Less than \$15,000

1/ The above table reflects the tax changes by adjusted gross income as a result of repealing the 1% tax rate and reducing the starting point of the 4% rate bracket.

2/ Number of returns made non-taxable 400,000  
Number of taxpayers made nontaxable, counting joint returns as two taxpayers 500,000

#### BOARD POSITION

Pending.